

1) (How) Can ethical investments (effectively) change the world?

Greetings from Globethics Foundation, an international NGO, dedicated to advance ethical leadership worldwide and to promote value-based standards in dealing with complex issues of modern life such as AI ethics, business ethics, ethics of inclusive governance, ethics in higher education, peace ethics.¹ Let me share one question with you: (How) can ethical investments change the world? Those in favour raise your hands. Those against, raise your hands. Impressive. I bring you two figures which I read: There are 30 USD trillion ethical investments today in the world, with a growth of 34% in just two years (12 times zero). 38% of total assets under management in the EU were sustainable assets in 2024. In deed Europe is the key global leader in sustainable investment funds with 85% of the global 2.6 trillion Euros in sustainable net assets. These are impressive figures, ethical investment seems to be a success story since it started in the late 60ies and 1970ies of last century. This was when Vietnam War protesters demanded that university endowment funds no longer should invest in military and defence industries... On the other hand, there is the other figure I read about: 90 trillion USD are still needed to keep global temperature below 1,5 C, this is two time as much. Thus, there is still room for improvement. The job of transition into a sustainable world is far from being done. We have reasons to look into the current trends of ethical investments. This particularly is so because the impressive growth rates for sustainable investments from the two past decades (like around 20% in Europe) are fairly likely not to stay as everything seems to be uncertain again. Why this is so?

2) Common value base as a must: What is ethical in ethical investment?

One condition for ethical investments to continue their significant growth is that there is a sufficiently broad common value basis existing in business and investment circles. We need a firm common understanding of what is ethical and what is unethical behaviour and in addition we need the trust that the common value basis is not going to change soon, but to stay for the foreseeable future. Only that common value base is a *conditio sine qua non* in ethical investment. How stable are common moral values in our society? Whether it is by intuition or by tradition, by religious rootedness or by humanistic philosophical reflection, most people still have some basic consensus of what is ethical and what is unethical. It is *ethical* behaviour when a manager ensures equal opportunities for all employees, regardless their ethnic belonging, gender or background. It is *unethical* behaviour if somebody is overbilling clients or is lying in business relationships. Religious traditions play a crucial role in providing the basis for moral and ethical norms. Father Laurent Basanese from the Dicastery for Interreligious Dialogue yesterday said that we cannot create a better world with just technologies and some laws alone, but we need new values and ethical principles which apply for today. In the 18th century amongst Methodists and Quakers in the America there was a common moral basis that it was *unethical* to invest in gambling, in alcohol and in tobacco industries and it was ethical to recommend divestment in these industries. Since 2015 there was a common *ethical* conviction that it was *immoral* to continue to heavily invest into fossil fuels industries as this would increase CO2 emissions globally. The ethical and financial dilemma only is, that this moral consensus unfortunately is not stable at all. Shifting realities in the US context and in some other climate change denials networks show that

¹ <https://globethics.net/about-us>

support for values like seeking climate justice fairness, limiting pollution and limiting warming of the climate, supporting the dignity of each human being including migrants as they are victims of climate injustice cannot be taken for granted anymore. The common moral and ethical basis for ethical investment therefore needs to be constantly renewed and reaffirmed again. Therefore, religious communities and communities of common opinion concerning core ethical principles and moral consensus in society do play a major role for enabling a firm and conducive environment to ethical investment. If the common conviction would firmly be - and stay - that *ethical* can only be those investments a) which are not creating additional or irresponsible environmental or social harm to other people, b) which are not creating environmental burdens which cannot be shared equally and fairly with the current generations on earth and c) which do not change the living conditions for future generations unjustly this certainly is more a conducive condition for ethical investment in sustainability than the opposite.

3) Bringing money and values together – standardization, guidelines, criteria

The key principle of ethical investment is to bring money and values together, to apply common ethical values to investment decisions. This means that not only financial returns, financial stability and safety count for investment decisions but also what impacts our investment can have for E(environmental), S (social) and (G) governance related issues. Ethical investment is not just about some emotional feelings. It is not just some vague positive feelings that bring money and values together, it needs clear and transparent guidelines, scrutiny of financial products, standardization and public negotiation with experts from the investment field. The German church related working committee on ethical investments (AKI) is doing hard core work on quality criteria and standardization since years in assessment and guidance and has produced an 80 pages guideline on responsible investment just in that country.² The learning movement towards ESG criteria of investment therefore is a structured attempt to broaden the concept of a purely finance-oriented economic approach for doing business. It aims at a new financial system both nationally, in Europe and in the global context which serves a just, sustainable and socially committed economy concept.³ Checking about the appropriateness and applicability of ethical criteria with regard to current financial funds on the financial market remains a constant task. Platforms like <https://www.faire-fonds.info/> provide data for checking whether certain funds are really green in orientation and in investment practises or whether they are only pretending an ESG orientation and therefore give causes to be checked for greenwashing. Recently in Europe 675 ESG funds changed their names in order to avoid excluding certain coal and gas industries from their funds portfolios which they had taken in while still being listed as ESG assets. This underlines why we need prudence, careful checking and a critical examination of what is really behind the set of ESG criteria and whether reference made to them is justified.

4) Education and Training for maintaining clear criteria for ethical investments and public accountability

Seen from this perspective of both changing moral and ethical landscapes as well as different practises of alignments with clear sets of criteria it becomes obvious how important common and broad based public

² https://www.aki-ekd.de/fileadmin/user_upload/aki-ekd.de/Leitfaden/ekd-texte-113-2025.pdf, in English: https://www.aki-ekd.de/fileadmin/user_upload/aki-ekd.de/Leitfaden/EKD_113-2024_EN_Web.pdf

³ Towards a Sustainable and Just Financial System An Evangelical Perspective to Guide Reform Steps towards a Social and Ecological Transformation of the Financial Economy, in: https://www.aki-ekd.de/fileadmin/user_upload/aki-ekd.de/PDFs/ekd_texte_138_EN_2021.pdf

learning is on these issues: Globethics is one of the institutions which has focussed on the educational side of the learning movement for ethical investment, trying to bring experts together in an annual Global Ethics Forum⁴, to publish contributions on standards and manuals for ethical asset development,⁵ and helping to understand instruments like the EU Taxonomy⁶, which is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050, and the related EU Corporate Sustainability Reporting Directive.⁷ Training for ethical leadership and investment practises will remain high on the agenda of this organization of Globethics.⁸

5) Credibility and performance crisis of ethical investment?

For several years the overall creed with many investors was: We have an uninterrupted success story of mainstreaming ethical Investment. ESG related portfolios in almost all cases performed better than without ESG criteria check. But in the past months there are signals of a slow-down and erosion of trust. Macro-economic processes seem to be overruling and overrunning micro-economic engagements of individual investors. “Strong headwinds for ethical investment” reads the heading of one article.⁹ Ethical investments in 2025 have slowed down in their performance. According to experts more money was *withdrawn* from ethical funds than *invested*. What are the reasons? – The decision of the US government not to align any more with the green agenda and the climate goals from Paris has led investors to question the validity and promises of ethical investment. In addition, since 2022 there is a massive and unprecedented move towards rising military expenditure on the one hand and at the same time a drastic reduction of global aid, i.e. funds and government subsidies for supporting humanitarian and development related work (through ODA and other means). Thus, the significant gains resulting from individual acts of ethical investments which benefit the ESG orientation are gradually eaten up by overwhelming counter trends of exploding costs for new militarization and growing polarization between rich and poor. The SIPRI Institute speaks of 2,7 trillion USD global expenditure for arms in 2024 (one million a million, 1 with 12 times zero). In 2024 we have had the most rapid increase of military expenditure we ever had since the end of the Cold War (the increase was around 10% a year in comparison to 2023). Global military spending is projected even to reach \$6.6 trillion by 2035 if current trends persist. There is a simultaneous dramatic decrease in the overall financial funds available for humanitarian aid and relief work globally with cuts of 500 million USD for development and humanitarian spending of UN organizations in 2026. The OECD even projects a 9 to 17% drop in global official development assistance (ODA) in 2025. With the government spending on military projects rising the private investments on other areas are decreasing, including ethical investments for sustainability. The potential for conflicts with the mandates of ethical funds is growing significantly, also because growth rates of investment returns from military investment portfolios can be even higher and

⁴ <https://globethics.net/gef2025-beyond-compliance-redefining-business-success-through-integrity-and-long-term-vision>

⁵ <https://globethics.net/news/ethical-investment-and-leadership-manual-launched#:~:text=This%20manual%2C%20titled%20%E2%80%9CEthical%20Leadership,that%20have%20emerged%20in%20churches.>

⁶ https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

⁷ <https://kpmg.com/de/en/home/insights/overview/esg/corporate-sustainability-reporting-directive.html#:~:text=The%20Corporate%20Sustainability%20Reporting%20Directive,Number%20of%20employees%20%3E%20250>

⁸ <https://globethics.net/publications/ethical-leadership-and-investment-sustainable-future>

⁹ <https://financial-advice.co.uk/2025/05/testing-times-for-ethical-investment-strategies/>; <https://www.concepts-investments.co.uk/articles/testing-times-for-ethical-investment-strategies/#:~:text=Strong%20headwinds,funds%20over%20the%20last%20quarter.>

exceeding those of sustainability funds. With military budgets rising the potential for conflict with the mandates of ethical funds increases.

The UN GS therefore has made a passionate appeal to rebalance military spending with spending for a peaceful and sustainable future (“The Security we need. Rebalancing military spending for sustainable and peaceful future” (9 Sept 2025)).¹⁰ In the past investment in defence industries was often regarded as „sin stock“ and therefore was excluded from ethical funding criteria. But how about investing in protective and defence oriented drone industry for countries under assault today? There seem to be processes at work which tend to soften criteria for the standards in ethical investment, arguing that it could be ethically agreeable to produce weapons, even weapons of long range which help to protect a country which has been violently overrun by a military invasion. Seen in this context it seems advisable to more explicitly add a component of engagement for peace into the definition of the ESG criteria and to define more exactly what commitments to peace this means and entails. There have been some controversial discussions on this issue already within the AKI committee in Germany.¹¹ Contrasts between investment returns in AI supported military drone industry and AI driven peace projects are immense. The global AI in drone market size was valued at USD 17,828.4 million in 2024. The market is projected to grow from USD 20,204.9 million in 2025 to USD 61,647.9 million by 2032, exhibiting a CAGR of 17.3% during the forecast period. With rising militarization projects, the civilian use of drones and the ethical investment options in civil AI are getting more limited and pushed aside. An international dialogue with religious leaders becomes imperative and urgent to look into the militarization of our industries and to find appropriate measures to redirect a major part of the expenses to projects of peace and common human security.

6) How to counter the weakening or possible loss of profile of ethical investments?

We suggest five measures against the weakening or possible loss of profile of ethical investments:

- a) Widening the conceptual understanding of the ESG criteria to more explicitly include non-violent measures of peace, of human security and the well-being of all and to work on the recognition of the concepts of security which formed the core of the so-called Helsinki process in the midst of the 70ies and its focus on common security concepts possible between East and West;
- b) Strengthening platforms of mutual understanding and agreements on sharpened quality criteria for ethical funding and investments in order to avoid the softening and watering down of the distinct profile of ethical investment and to foster larger alliances of ethical investors to get engaged in bigger and common ethical investment projects; it might be that KAICIID and its members bodies or related NGOs/FBOs would benefit from a ***more formal international advisory group on ethical investments*** or ***working group on faith, finances and new economy models*** in which best practise initiatives and common strategies and larger projects could be discussed and agreed upon on a more permanent base;

¹⁰ <https://www.un.org/sg/en/content/sg/press-events/2025-09-09/secretary-generals-remarks-the-press-the-release-of-the-report-the-security-we-need-rebalancing-military-spending-for-sustainable-and-peaceful-future-delivered>;
<https://www.un.org/en/peace-and-security/the-true-cost-of-peace>

¹¹ https://www.aki-ekd.de/fileadmin/user_upload/aki-ekd.de/PDFs/Weapons_and_defence_equipment_still_on_the_exclusion_list_of_church_investors.pdf

- c) Balancing the three major dimensions of ethical investment, .i.e. positive investment, negative divestment and engagement and critical dialogue with business leadership, pursuing all the three of them with similar energy and attention;
- d) Scaling up initiatives for asset development within religious organizations, particularly with underused or wrongly used assets available already within religious communities (continuing the (ACAP initiative);
- e) Scaling up initiatives for multi-religious asset development and project management, in order to overcome the mono-religious or mono-denominational captivity culture of investments only serving one denomination or one religion (examples to be given House of Religions in Bern, Switzerland) or House of One (Berlin).

We had started in the beginning with asking the question: (How) Can ethical investment effectively change the world? We can now say with confidence: Yes, they can and they should continue to change the world although it is not always easy and needs determination and prudence.

Religious communities supporting and demanding for ethical investments today

- Have a considerably convincing and argumentative power, because religions can refer to a common value base which can be re-actualized and energized together;
- Have a significant mobilizing and convening power, as religious communities bring people from many different local places together and have an inbuilt capacity due to their social work to put values into action;
- Have a unique transforming and resilience power as religious actors are used not to give up at the the first obstacles and resistance, but to continue with tenacity and determination;
- Have a unique trans-national and trans-cultural power as they have in their DNA to transcend national boundaries and ethnic identification as transcending communities.

Thus religious communities often sit on enormous tangible or intangible capital, but which is not always unlocked for social, peace and justice agenda and ecological purposes, but can be still unleashed and liberated to contribute to a greater common good. Ethical investment, done jointly together in in a strategic manner serving the objectives of the critical civil society actors today ***can still become a major push-back against the push-back and therefore can contribute to changing this world for the better today.***